

MULLIKEN DISTRICT LIBRARY
MULLIKEN, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mulliken District Library	County Eaton
Fiscal Year End March 31, 2006	Opinion Date July 27, 2006	Date Audit Report Submitted to State October 2, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

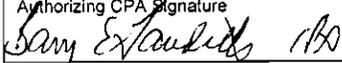
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC	Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street	City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA	License Number 11050	

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Library Board
Mulliken District Library
Mulliken, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Mulliken District Library, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Mulliken District Library's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note I, the financial statements present only the Mulliken District Library Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

Mulliken District Library
Independent Auditors' Report
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mulliken District Library, Mulliken, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Bary E. Jankins, CPA, PC

July 27, 2006

BASIC FINANCIAL STATEMENTS

Mulliken District Library
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 22,050
Capital assets (net of accumulated depreciation):	
Land	10,000
Building	61,878
Books and magazines	<u>60,912</u>
Total Assets	<u>154,840</u>
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	6,269
Due in more than one year	<u> </u>
Total liabilities	<u>6,269</u>
 NET ASSETS	
Unrestricted	<u>148,571</u>
Total net assets	<u>\$ 148,571</u>

See notes to financial statements

Mulliken District Library
Government-Wide
Statement of Activities
For The Year Ended March 31, 2006

	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Programs				
Governmental activities:				
Culture:				
Library	\$ 53,172	\$ 9,464	\$ 1,654	\$
Other:				
Depreciation	17,943			
Interest expense	<u>792</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 71,907</u>	<u>\$ 9,464</u>	<u>\$ 1,654</u>	<u>\$</u>

General revenues:

Township & Village millages
State aid
Interest
Rentals
Sale of books
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expenses)
Revenues and
Changes in
Net Assets**

\$ (42,054)

(17,943)

(792)

(60,789)

54,130

1,513

144

1,350

941

473

58,551

(2,238)

150,809

\$ 148,571

Mulliken District Library
Balance Sheet
Governmental Funds
March 31, 2006

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 22,050	\$ _____	\$ 22,050
Total Assets	<u>\$ 22,050</u>	<u>\$ _____</u>	<u>\$ 22,050</u>
FUND BALANCES			
Fund balances:			
Unreserved	\$ 22,050	\$ _____	\$ 22,050
Total fund balances	<u>\$ 22,050</u>	<u>\$ _____</u>	<u>\$ 22,050</u>

See notes to financial statements

Mulliken District Library
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For The Year Ended March 31, 2006

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Township & Village millages	\$ 54,130	\$	\$ 54,130
State aid	1,513		1,513
Contributions	1,654		1,654
Charges for services	336		336
Fines	9,128		9,128
Interest	144		144
Rentals	1,350		1,350
Sale of books	941		941
Other	473		473
	<hr/>		<hr/>
Total revenues	69,669		69,669
	<hr/>		<hr/>
EXPENDITURES			
Current:			
Culture:			
Library:			
Salaries	23,774		23,774
Utilities	3,849		3,849
Maintenance	3,237		3,237
Videos	2,727		2,727
Insurance	2,438		2,438
Technology	2,428		2,428
Payroll taxes	1,878		1,878
Board expense	1,745		1,745
Custodial	1,560		1,560
Dues and audit	1,420		1,420
Donations	1,383		1,383
Capital Library Co-op	1,170		1,170
Miscellaneous	1,147		1,147
Secretary/treasurer	1,050		1,050
Business supplies	984		984
Magazines	773		773
Copier	651		651
Staff books	614		614
Mileage	177		177
Cleaning supplies	137		137
Advertising	30		30
Debt service:			
Principal		11,208	11,208
Interest		792	792

Mulliken District Library
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For The Year Ended March 31, 2006
(Continued)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
EXPENDITURES			
(CONTINUED)			
Capital outlay:			
Books	<u>12,615</u>	_____	<u>12,615</u>
Total expenditures	<u>65,787</u>	<u>12,000</u>	<u>77,787</u>
Excess(deficiency) of revenues over(under) expenditures	3,882	(12,000)	(8,118)
OTHER FINANCING SOURCES			
(USES)			
Transfer in(out)	<u>(12,000)</u>	<u>12,000</u>	_____
Net changes in fund balances	(8,118)		(8,118)
Fund balances-beginning	<u>30,168</u>	_____	<u>30,168</u>
Fund balances-ending	<u>\$ 22,050</u>	<u>\$ _____</u>	<u>\$ 22,050</u>

See notes to financial statements

Mulliken District Library
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances - governmental funds	\$(8,118)
--	------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The amount by which capital outlays exceeded depreciation in the period.

Capital outlays	\$ 12,615	
Depreciation expense	(17,943)	(5,328)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	<u>11,208</u>
Change in net assets of governmental activities	<u><u>\$(2,238)</u></u>

See notes to financial statements

Mulliken District Library
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances
-Budget and Actual
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Township and				
Village millages	\$ 53,084	\$ 53,084	\$ 54,130	\$ 1,046
State aid	1,000	1,000	1,513	513
Contributions	500	500	1,654	1,154
Charges for services	500	500	336	(164)
Fines	8,800	8,800	9,128	328
Interest	100	100	144	44
Rentals	1,000	1,000	1,350	350
Sale of books	750	750	941	191
Other	400	400	473	73
	<u>66,134</u>	<u>66,134</u>	<u>69,669</u>	<u>3,535</u>
EXPENDITURES				
Current:				
Culture:				
Library:				
Salaries	24,000	24,000	23,774	226
Utilities	5,000	5,000	3,849	1,151
Maintenance	4,500	4,500	3,237	1,263
Videos	3,250	3,250	2,727	523
Insurance	2,500	2,500	2,438	62
Technology	2,500	2,500	2,428	72
Payroll taxes	2,000	2,000	1,878	122
Board expense	2,300	2,300	1,745	555
Custodial	1,600	1,600	1,560	40
Dues and audit	1,500	1,500	1,420	80
Donations	500	500	1,383	(883)
Capital Library Co-op	500	500	1,170	(670)
Miscellaneous	24,422	24,422	1,147	23,275
Secretary/treasurer	1,200	1,200	1,050	150
Business supplies	1,000	1,000	984	16
Magazines	1,000	1,000	773	227
Copier	600	600	651	(51)
Staff books	500	500	614	(114)
Mileage	200	200	177	23
Cleaning supplies	200	200	137	63
Advertising	50	50	30	20

Mulliken District Library
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances
-Budget and Actual
For the Year Ended March 31, 2006
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED)				
Current:				
Culture:				
Library				
Workshops	50	50		50
Capital outlay	<u>13,500</u>	<u>13,500</u>	<u>12,615</u>	<u>885</u>
Total expenditures	<u>92,872</u>	<u>92,872</u>	<u>65,787</u>	<u>27,085</u>
Excess (deficiency)				
of revenues over				
(under)				
expenditures	(26,738)	(26,738)	3,882	30,620
OTHER FINANCING				
SOURCES (USES)				
Transfer (out)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u> </u>
Net change in fund				
balances	(38,738)	(38,738)	(8,118)	30,620
Fund balances-				
beginning	<u>38,738</u>	<u>38,738</u>	<u>30,168</u>	<u>(8,570)</u>
Fund balances-				
ending	<u>\$ </u>	<u>\$ </u>	<u>\$ 22,050</u>	<u>\$ 22,050</u>

See notes to financial statements

Mulliken District Library
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The financial statements of the Mulliken District Library (the Library) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting entity

The Mulliken District Library is an independent governmental entity that was formed jointly by local units of government to provide library services to residents of the Village of Mulliken and surrounding townships.

The Library's administrative board consists of five members. Officers of the Library Board shall be chosen at the annual meeting of the Library Board, and shall consist of a President, Vice-President, Secretary, Treasurer and Trustee. An officer's term is two years with no limit on renewal.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Fire District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Library has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Association District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Fire Association District and are recognized as revenue at that time.

The Library reports the following major governmental funds:

The *special revenue fund* is the Library's primary operating fund. It accounts for all financial resources of the Library.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to

customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities, and net assets

1. Deposits and investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Library Board has designated one bank for the deposit of Library funds.

2. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Library is depreciated using the straight-line method over the following estimated useful lives:

Building	40 years
Office equipment	5 years
Books and magazines	10 years

3. *Compensated absences*

The Library does not have a compensated absence policy.

4. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. *Fund balance*

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

6. *Use of estimates*

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. *Stewardship, compliance and accountability*

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with

generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Library Board a proposed budget for the fiscal year commencing on April 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31st, the budget is legally adopted by the Library Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Library Board.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has not been amended.

B. Excess of expenditures over appropriations

During the year ended March 31, 2006, the Library did not incur expenditures in excess of amounts appropriated.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Library's deposits were \$22,050 and the bank balance was \$26,531, of which \$26,531 was covered by federal depository insurance.

Investments

The Library does not have any investments.

B. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:			
Capital assets, not being depreciated	\$ 10,000	\$ _____	\$ 10,000
Capital assets being depreciated:			
Building	88,397		88,397
Office equipment	15,291		15,291
Books & magazines	<u>144,715</u>	<u>12,615</u>	<u>157,330</u>
Total capital assets being depreciated	<u>248,403</u>	<u>12,615</u>	<u>261,018</u>
Less accumulated depreciation for:			
Building	(24,309)	(2,210)	(26,519)
Office equipment	(15,291)		(15,291)
Books & magazines	<u>(80,685)</u>	<u>(15,733)</u>	<u>(96,418)</u>
Total accumulated depreciation	<u>(120,285)</u>	<u>(17,943)</u>	<u>(138,228)</u>
Total capital assets, being depreciated, net	<u>128,118</u>	<u>(5,328)</u>	<u>122,790</u>
Governmental activities capital assets-net of depreciation	<u>\$ 138,118</u>	<u>\$ (5,328)</u>	<u>\$ 132,790</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Culture	<u>\$ 17,943</u>
Total depreciation expense- governmental activities	<u>\$ 17,943</u>

C. Interfund transfers

Interfund transfers:

Transfer out:	<u>Transfer In:</u>		
	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Special revenue fund	\$ <u> </u>	\$ <u>12,000</u>	\$ <u>12,000</u>
Total transfers out	\$ <u> </u>	\$ <u>12,000</u>	\$ <u>12,000</u>

D. Long-term debt

Note Payable

On January 11, 1999 the Mulliken District Library borrowed \$114,009.19 from Union Bank to build the Library Building. The maturity date is January 21, 2114, with an interest rate of 6.75%, and bi-annual payments of \$5,847.60 that are due on January 30th and June 30th of each year.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities	6.75%	\$ <u>6,269</u>

Annual debt service requirements to maturity for the note payable is as follows:

Year Ending <u>March 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ <u>6,269</u>	\$ <u>197</u>
Total	\$ <u>6,269</u>	\$ <u>197</u>

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Note payable	<u>\$ 17,477</u>	<u>\$ 11,208</u>	<u>\$ 6,269</u>	<u>\$ 6,269</u>

IV. Other information

A. Risk management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Library has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B. Pension Plan

The Library does not provide a pension plan for its employees.

COMMENTS AND RECOMMENDATIONS

Members of the Board of Directors
Mulliken District Library
Mulliken, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Library Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

July 27, 2006